

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 325 – SB 1214

April 1, 2017

**SUMMARY OF ORIGINAL BILL:** Renames the Second Injury Fund as the Subsequent Injury and Vocational Recovery Fund and authorizes the Bureau of Workers' Compensation (BWC) to use money from the Fund to provide vocational recovery assistance to qualifying employees. Removes the requirement that sole proprietors and partners must provide notice to the BWC when electing to be included under the workers' compensation law. Creates a penalty for entering false information on any application for the Workers' Compensation Exemption Registry.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue –

\$5,000/Uninsured Employers Fund/FY17-18 and Subsequent Years

Increase State Expenditures –

\$50,000/Subsequent Injury and Vocational Recovery Fund/FY17-18

\$100,000/Subsequent Injury and Vocational Recovery Fund/FY18-19  
and Subsequent Years

Recurring appropriations of \$50,000 is included in the Governor's Recommended Budget Document for FY17-18 (page A-38).

IMPACT TO COMMERCE OF ORIGINAL BILL:

Increase Business Revenue - \$25,000/FY17-18

\$50,000/FY18-19 and Subsequent Years

Increase Business Expenses – Less than \$25,000/FY17-18

Less than \$50,000/FY18-19 and Subsequent

**SUMMARY OF AMENDMENT (006500):** Deletes and rewrites the bill such that the substantive changes are as follows: (1) specifies the definition of an employee and when it includes sole proprietor, a partner, or a member of a limited liability company who devotes full time to the proprietorship, partnership, or limited liability company; (2) creates a \$20,000 lifetime maximum payout per employee and an aggregate \$500,000 per calendar year from the

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Subsequent Injury and Vocational Recovery Fund; and (3) specifies that an employer of a construction services provider shall provide proof of valid workers' compensation insurance coverage at the employer's place of business and at job sites within one business day of a request.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

### **Unchanged from the original fiscal note.**

#### Assumptions relative to the Uninsured Employers Fund:

- The penalty established for entering false information on any application for the Workers' Compensation Exemption Registry is estimated to be \$500 per violation.
- Based on information provided by the BWC, it is estimated that an average of 10 registry violation penalties will be collected each year.
- The recurring increase in state revenue to the Uninsured Employers Fund is estimated to be \$5,000 (10 penalties collected x \$500 each violation).

#### Assumptions relative to the Subsequent Injury and Vocational Recovery Fund:

- This legislation will allow certain qualifying employees not returning to work or currently receiving wages or salary from an employer that is less than 100 percent of the employee's pre-injury wages or salary to apply for vocational recovery assistance from the BWC.
- A maximum payment amount of \$5,000 per qualifying employee per year is authorized to be paid from the Subsequent Injury and Vocational Recovery Fund (SIVRF).
- The \$20,000 maximum lifetime payout per employee and an aggregate \$500,000 per calendar year from the Subsequent Injury and Vocational Recovery Fund are both higher than the projected payout per person per year, and the projected annual payout from the Fund, respectively; therefore, the maximum payouts incorporated as part of the amendment will not alter the fiscal impact.
- This funding is authorized for, but not limited to, vocational assessment, employment training, job analysis, vocational testing, general education development classes and testing, and education through a public Tennessee community college, university, or college of applied technology, including books and materials required for courses.
- Based on information provided by the BWC, an estimated 10 claims will occur in FY17-18; and an average of 20 claims will occur in FY18-19 and subsequent years.
- The increase in state expenditures from the SIVRF for vocational assistance is estimated to be \$50,000 (10 claims x \$5,000 per payout) in FY17-18.
- The recurring increase in state expenditures to the SIVRF for vocational assistance is estimated to be \$100,000 (20 claims x \$5,000 per payout) in FY18-19 and subsequent years.

Assumptions relative to receipt of vocational assistance funding by other state entities:

- Approximately 50 percent of the vocational recovery assistance funding that is paid to and received by recipients (\$50,000 in FY17-18 and \$100,000 FY18-19 and subsequent years) will return as revenue to various state entities in the form of payments for the receipt of vocational assistance which is provided by the state entities. This funding is assumed to be utilized to pay fees or tuition for certain assessments, analysis, classes, training, tests, books, and materials. The remaining 50 percent is estimated to be paid to private entities for the same.
- It is assumed that approximately 40 percent of this funding will return as revenue to the Department of Labor and Workforce Development (DLWD); approximately 40 percent will return as tuition revenue to the various higher education institutions; and that approximately 20 percent will return as revenue to the Department of Human Services (DHS).
- However, any monies which are received by the DLWD, the various higher education institutions, and the DHS will be expended for the provision of services and materials related to providing vocational assistance. As a result, and for the purpose of this fiscal note, it is assumed that revenue received by these entities will equal expenses incurred by these entities; thus, any net budgetary impacts to the DLWD, the various higher education institutions, and the DHS, will be not significant.
- The Department of Commerce and Insurance confirms the legislation will not have an operational or fiscal impact on the Department.
- Recurring appropriations of \$50,000 has been included in the Governor's proposed budget document for FY17-18 on page A-38.

## **IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:**

**Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- Vocational training assistance is authorized to cover various employment training, testing, and classes. It is reasonably estimated that 50 percent of funds paid from the SIVRF to recipients for vocational assistance will be utilized for acquiring vocational assistance from private entities.
- The increase in business revenue in FY17-18 is estimated to be \$25,000 (\$50,000 paid from SIVRF x 50.0%); the recurring increase in business revenue beginning in FY18-19 is estimated to be 50,000 (\$100,000 paid from SIVRF x 50.0%).
- These private entities are assumed to earn a profit from the provision of services. As a result, the increase in business expenditures for providing vocational assistance is

estimated to be less than \$25,000 in FY17-18 and less than \$50,000 in FY18-19 and subsequent years.

- Providing additional vocational training assistance will result in a more skilled workforce in Tennessee.
- Any impact on the overall number of jobs in Tennessee will be not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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